

# OKTIBBEHA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2014

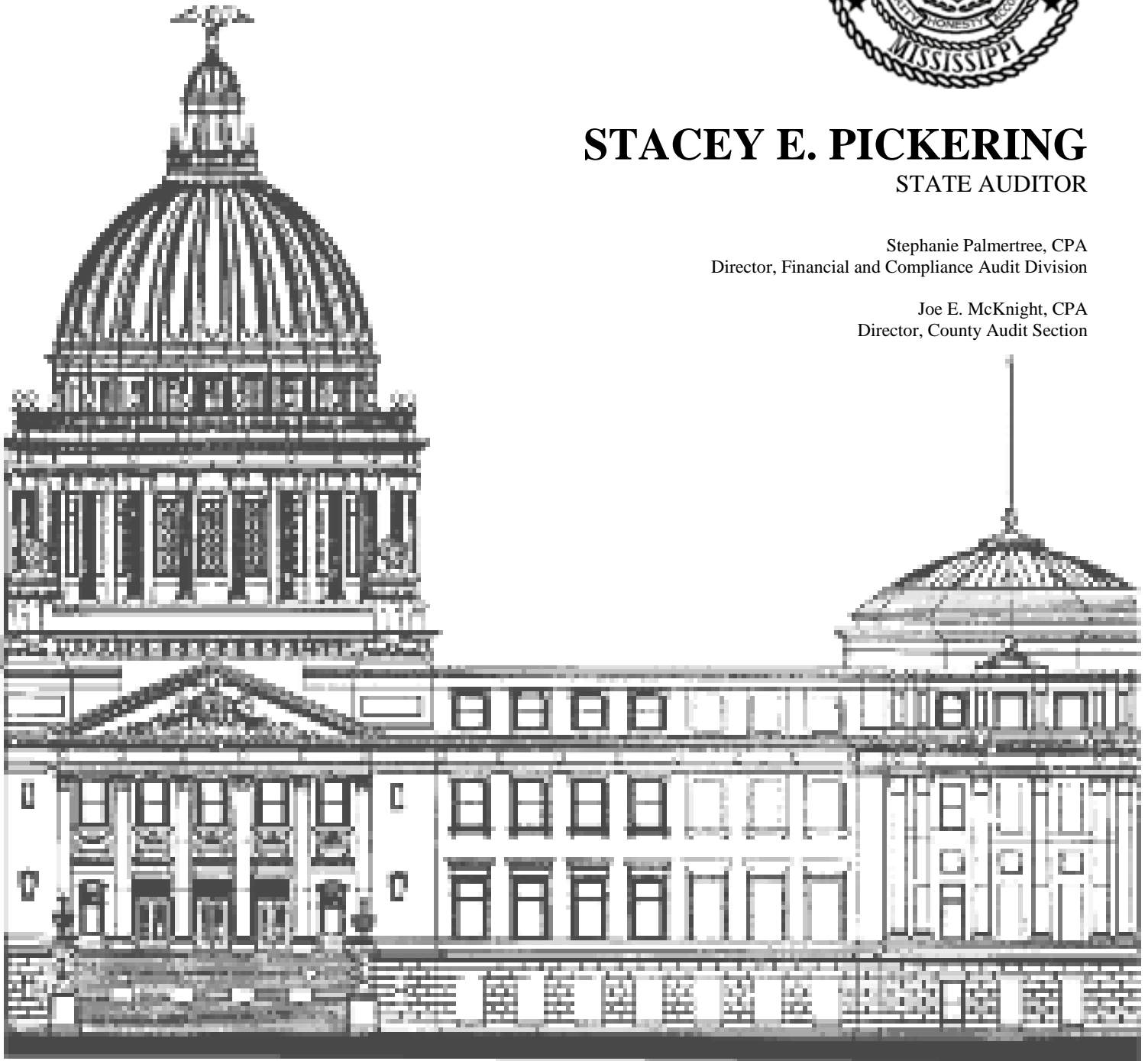


## STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, CPA  
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

May 16, 2016

Members of the Board of Supervisors  
Oktibbeha County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 financial and compliance audit report for Oktibbeha County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Oktibbeha County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Oktibbeha County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering  
State Auditor



# OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

FINANCIAL SECTION

OKTIBBEHA COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Oktibbeha County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit**

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. The County has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component unit would have been presented as \$113,422,126, \$24,840,980, \$88,510,824, \$68,962,324 and \$67,865,570.

## **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component unit of Oktibbeha County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of September 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, and the Schedule of Funding Progress – Other Postemployment Benefits be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Oktibbeha County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016, on our consideration of Oktibbeha County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oktibbeha County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" and last name "Mcknight" clearly legible.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 16, 2016

OKTIBBEHA COUNTY

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## OKTIBBEHA COUNTY

### MANAGEMENT DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY

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**OKTIBBEHA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
UNAUDITED**

**INTRODUCTION**

The discussion and analysis of Oktibbeha County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year has been presented as required.

Oktibbeha County is located in northeastern Mississippi. The population, according to the 2010 census is 47,671. The local economic base is mainly Manufacturing, Research/Technology, and Mississippi State University.

**FINANCIAL HIGHLIGHTS**

Oktibbeha County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Oktibbeha County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net position increased \$3,225,684 which represents an increase of 10.90% from the prior fiscal year. The County's ending cash balance increased by \$1,068,207 from the prior fiscal year.

The County had \$22,099,314 in total revenues. Property tax revenues account for \$14,877,759 or 67.32% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$2,601,275 or 11.77% of total revenues.

The County had \$18,250,847 in total expenses, which represents a decrease of \$761,285 or 4.00% decrease from the prior fiscal year. Expenses in the amount of \$4,450,452 were offset by charges for services, grants or outside contributions. General revenues of \$17,648,862 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$11,323,287 in revenues and \$10,347,091 in expenditures. The General Fund's fund balance increased by \$978,496 which included excess revenues over expenses of \$976,196 plus the increase from the net effect of other financing sources and uses of \$2,300 which included \$17,300 from insurance loss recoveries, and transfers out to other governmental funds of \$15,000.

Among major funds, the Countywide Road Maintenance Fund had \$2,087,980 in revenues and \$1,601,505 in expenditures. The Countywide Road Maintenance Fund's fund balance increased by \$553,113 which included excess revenues over expenses of \$486,475 plus the increase from the net effect of other financing sources and uses of \$66,638 which included the issuance of long-term capital debt of \$45,900 and proceeds from the sale of capital assets of 20,738.

Among major funds, the Countywide Bridge and Culvert Fund had \$2,278,019 in revenue and \$2,033,132 in expenditures. The Countywide Bridge and Culvert Fund's fund balance had an increase of \$244,887 from the prior year.

Capital assets, net of accumulated depreciation, increased by \$643,674

Long-term debt decreased by \$1,085,979.

**OKTIBBEHA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
UNAUDITED**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

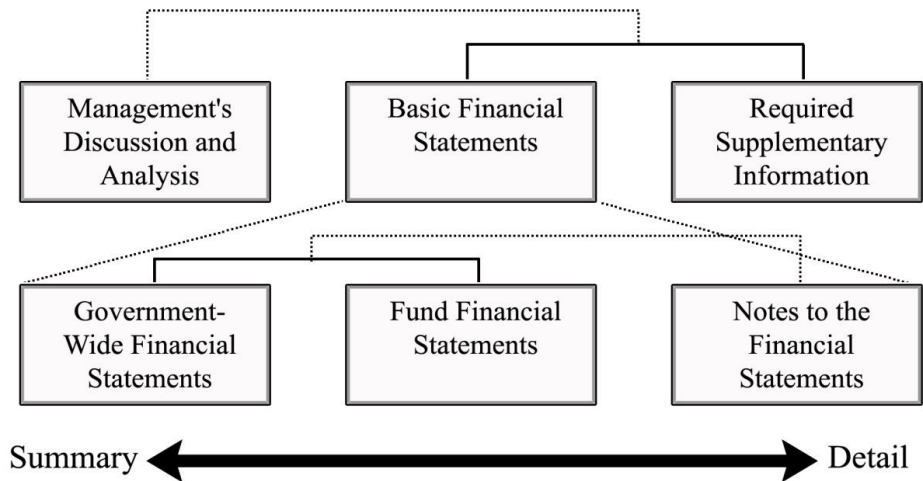


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

**OKTIBBEHA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
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**Figure 2 — Major Features of the County's Government-Wide and Fund Financial Statements**

	Government Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else's resources
Required financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues expenditures and changes in fund balances</li> </ul>	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net position** presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**OKTIBBEHA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**UNAUDITED**

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). However, the County had no business-type activities. The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; conservation of natural resources; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 19 and 20 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

The County maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 25 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 27 through 43 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 47 through 49 of this report.

**OKTIBBEHA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**UNAUDITED**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net Position —Net position may serve over time as a useful indicator of government's financial position. In the case of Oktibbeha County, assets exceeded liabilities and deferred inflows of resources by \$32,806,287 as of September 30, 2014.

By far, the largest portion of the County's net position 139.41% reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net position for the fiscal year ended September 30, 2014 as compared to September 30, 2013.

	Governmental Activities 2014	Governmental Activities 2013
Current assets	\$ 30,657,307	29,395,064
Capital assets, net	<u>45,734,047</u>	<u>45,090,373</u>
Total assets	<u>76,391,354</u>	<u>74,485,437</u>
Current liabilities	2,121,406	16,154,531
Long-term liabilities	<u>27,732,033</u>	<u>28,750,303</u>
Total liabilities	<u>29,853,439</u>	<u>44,904,834</u>
Deferred inflows of resources	<u>13,731,628</u>	<u>0</u>
Net position:		
Net investment in capital assets	44,275,016	43,278,788
Restricted	5,649,193	4,794,207
Unrestricted	<u>(17,117,922)</u>	<u>(18,492,392)</u>
Total net position	<u>\$ 32,806,287</u>	<u>29,580,603</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position

- \$618,955 completed road and bridge construction projects and \$1,296,803 increase in road and bridge construction in progress projects had a significant impact on the Statement of Net Position for the period ending September 2014.

**Changes in Net Position** — Oktibbeha County's total revenues for the fiscal year ending September 30, 2014 were \$22,099,314. The total cost for all services provided was \$18,250,847. Net position increased by \$3,225,684 from the prior fiscal year. This increase consists of revenues exceeding expenses by \$3,848,467 and an accounting change of \$(622,783).

**OKTIBBEHA COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
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	Current Year Amount	Prior Year Amount
Revenues:		
Program revenues:		
Charges for services	\$ 2,842,530	2,955,802
Operating grants & contributions	1,520,487	1,228,543
Capital grants & contributions	87,435	23,266
General revenues:		
Property taxes	14,877,759	14,160,372
Road & bridge privilege taxes	429,297	421,477
Grants & contributions not restricted to to specific programs	993,353	995,535
Unrestricted interest income	10,462	21,002
Miscellaneous	1,337,991	2,326,460
Total revenues	<u>22,099,314</u>	<u>22,132,457</u>
Expenses		
General government	5,681,618	5,597,420
Public safety	5,309,611	5,154,074
Public works	3,766,926	4,870,224
Health and welfare	1,684,319	1,698,364
Culture and recreation	425,935	182,345
Education	79,793	78,578
Conservation of natural resources	118,178	119,307
Economic development & assistance	180,233	184,714
Interest on long-term debt	1,004,234	1,127,106
Total expenses	<u>18,250,847</u>	<u>19,012,132</u>
Change in net position	3,848,467	3,120,325
Accounting change	<u>(622,783)</u>	<u>0</u>
Total change in net position	<u>\$ 3,225,684</u>	<u>3,120,325</u>

**Governmental Activities** - The following table presents the cost of the major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Education, Conservation of Natural Resources Economic Development and Assistance and Interest on Long Term Debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on Oktibbeha County's taxpayers by each of these functions.

**OKTIBBEHA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
UNAUDITED**

	Total Cost	Net Cost
General government	\$ 5,681,618	\$ 4,117,716
Public safety	5,309,611	3,563,285
Public works	3,766,926	2,666,843
Health and welfare	1,684,319	1,654,678
Culture & recreation	425,935	425,935
Education	79,793	79,793
Conservation of natural resources	118,178	118,178
Economic development & assistance	180,233	169,733
Interest on long term debt	1,004,234	1,004,234

### FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

**Governmental funds** — At the close of the fiscal year, Oktibbeha County's governmental funds reported a combined fund balance of \$13,611,222 an increase of \$1,965,822. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

Excess revenues over expenses of \$1,877,784; plus the net effect of other financing sources of \$88,038 from the issuance of long-term debt, insurance loss recoveries, and the sale of out dated equipment account for the increase in fund balances.

The General Fund is the principal operating fund of the County, and did have an increase in the year-end fund balance over the prior year of \$978,496.

### BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Oktibbeha County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

Budgeted revenues from state and federal sources were amended to account for grants awarded.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** — As of September 30, 2014, Oktibbeha County's total gross capital assets were \$104,029,209. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$1,866,384, which included a decrease of \$78,591 in mobile equipment, an increase of \$19,362 in lease-purchases of equipment, an increase of \$9,855 in furniture and equipment and an increase of \$1,915,758 of additional bridge and road projects in 2014.

Total accumulated depreciation as of September 30, 2014 was \$58,295,162 including \$1,384,416 of depreciation expense for the current year. The balance in total net capital assets was \$45,734,047 at year-end.

Additional information on Oktibbeha County's capital assets is in note 6 on page 34 of this report.

**Debt Administration** — At September 30, 2014, Oktibbeha County had \$27,664,324 in long-term debt outstanding. This includes general obligation bonds, other loans and obligations under capital lease. Of this debt, \$1,182,381 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt as of September 30, 2014 was equal to 7.54% of the latest property assessments.

**OKTIBBEHA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Additional information on Oktibbeha County's long-term debt can be found in note 9 on page 39 of this report.

**CURRENT AND FUTURE ITEMS OF IMPACT**

With Mississippi State University located in Oktibbeha County, the City of Starkville and the County continue to reap the benefits of the staff and now over 20,000 students living here almost year round and spending their money here. New apartment complexes continues to be built to keep up with the demand for off-campus student housing.

The Cotton Mill Project finally started construction on a new full service hotel and convention center. This project will also include several new retail stores and dining establishments and will open the summer of 2015.

Oktibbeha County has joined Lowndes and Clay Counties and formed The Golden Triangle Economic Development Link. One major project has already committed to the area. Yokohama Tire Corporation has started construction on phase one. Once operational, this company will provide 1200 jobs in the Golden Triangle. When all phases are completed, the project will be one of, if not the largest manufacturer in the state. Oktibbeha County traditionally has a 35% to 40% share in jobs and new residents when a new industry moves into the Golden Triangle area. The new Link is a one of a kind venture and potentially the wave of the future in economic development strategy.

With the new partnership in the Link and MSU's continued student growth, the future looks very bright for Oktibbeha County.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact Emily Garrard, Oktibbeha County Administrator at P.O. Box 80285, Starkville, Mississippi 39759.

OKTIBBEHA COUNTY

FINANCIAL STATEMENTS

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY  
Statement of Net Position  
September 30, 2014

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 14,851,571
Cash with fiscal agent	5
Property tax receivable	13,731,628
Accounts receivable (net of allowance for uncollectibles of \$2,043,567)	301,012
Fines receivable (net of allowance for uncollectibles of \$6,725,076)	1,156,137
Intergovernmental receivables	459,695
Other receivables	157,259
Capital assets:	
Land and construction in progress	3,076,567
Other capital assets, net	42,657,480
Total Assets	<u>76,391,354</u>
<b>LIABILITIES</b>	
Claims payable	953,370
Intergovernmental payables	447,142
Accrued interest payable	264,098
Unearned revenue	23,815
Amounts held in custody for others	155,542
Claims and judgments payable	277,439
Long-term liabilities	
Other postemployment benefits payable	67,709
Due within one year:	
Capital debt	387,381
Non-capital debt	795,000
Due in more than one year:	
Capital debt	1,071,650
Non-capital debt	25,410,293
Total Liabilities	<u>29,853,439</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax for future reporting period	13,731,628
Total deferred inflows of resources	<u>13,731,628</u>
<b>NET POSITION</b>	
Net investment in capital assets	44,275,016
Restricted for:	
Expendable:	
General government	397,207
Public safety	949,977
Public works	2,052,374
Debt service	2,249,635
Unrestricted	(17,117,922)
Total Net Position	<u>32,806,287</u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY  
Statement of Activities  
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,681,618	1,252,617	311,285		(4,117,716)
Public safety	5,309,611	657,915	1,079,831	8,580	(3,563,285)
Public works	3,766,926	931,998	89,230	78,855	(2,666,843)
Health and welfare	1,684,319		29,641		(1,654,678)
Culture and recreation	425,935				(425,935)
Education	79,793				(79,793)
Conservation of natural resources	118,178				(118,178)
Economic development and assistance	180,233		10,500		(169,733)
Interest on long-term debt	1,004,234				(1,004,234)
Total Governmental Activities	<u>18,250,847</u>	<u>2,842,530</u>	<u>1,520,487</u>	<u>87,435</u>	<u>(13,800,395)</u>
General revenues:					
Property taxes				\$	14,877,759
Road & bridge privilege taxes					429,297
Grants and contributions not restricted to specific programs					993,353
Unrestricted interest income					10,462
Miscellaneous					<u>1,337,991</u>
Total General Revenues					<u>17,648,862</u>
Changes in Net Position					<u>3,848,467</u>
Net Position - Beginning, as previously reported					29,580,603
Prior period adjustment - Accounting change					<u>(622,783)</u>
Net Position - Beginning, as restated					<u>28,957,820</u>
Net Position - Ending				\$	<u><u>32,806,287</u></u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2014

Exhibit 3

	Major Funds				
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge and Culvert Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 7,717,496	579,333	891,869	5,662,873	14,851,571
Cash with fiscal agent				5	5
Property tax receivable	8,145,718	1,453,529	2,015,636	2,116,745	13,731,628
Accounts receivable (net of allowance for uncollectibles of \$2,043,567)				301,012	301,012
Fines receivable (net of allowance for uncollectibles of \$6,725,076)	1,156,137				1,156,137
Intergovernmental receivables	312,114	31,972		115,609	459,695
Other receivables	42,348			114,911	157,259
Due from other funds		55,026	28,676	34,430	118,132
Total Assets	<u>\$ 17,373,813</u>	<u>2,119,860</u>	<u>2,936,181</u>	<u>8,345,585</u>	<u>30,775,439</u>
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 364,724	177,202	118,644	292,800	953,370
Intergovernmental payables	420,001	26,941		200	447,142
Due to other funds	131,461				131,461
Unearned revenue				23,815	23,815
Amounts held in custody for others	142,213				142,213
Claims and judgments payable	277,439				277,439
Total Liabilities	<u>\$ 1,335,838</u>	<u>204,143</u>	<u>118,644</u>	<u>316,815</u>	<u>1,975,440</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
Unavailable revenue - property taxes	8,145,718	1,453,529	2,015,636	2,116,745	13,731,628
Unavailable revenue - accounts receivable				301,012	301,012
Unavailable revenue - fines	1,156,137				1,156,137
Total deferred inflows of resources	<u>\$ 9,301,855</u>	<u>1,453,529</u>	<u>2,015,636</u>	<u>2,417,757</u>	<u>15,188,777</u>
<b>Fund balances:</b>					
Restricted for:					
General government				397,207	397,207
Public safety				949,977	949,977
Public works		462,188	801,901	487,273	1,751,362
Health and welfare				1,262,823	1,262,823
Debt service				2,513,733	2,513,733
Unassigned	6,736,120				6,736,120
Total Fund Balances	<u>\$ 6,736,120</u>	<u>462,188</u>	<u>801,901</u>	<u>5,611,013</u>	<u>13,611,222</u>
Total Liabilities, Deferred Inflows or Resources and Fund Balances	<u>\$ 17,373,813</u>	<u>2,119,860</u>	<u>2,936,181</u>	<u>8,345,585</u>	<u>30,775,439</u>

The notes to the financial statements are an integral part of this statement.

## OKTIBBEHA COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,611,222
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$58,295,162.	45,734,047
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	1,156,137
Accounts receivable	301,012
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(27,664,324)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(67,709)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(264,098)</u>
Total Net Position - Governmental Activities	\$ <u><u>32,806,287</u></u>

The notes to the financial statements are an integral part of this statement.

## OKTIBBEHA COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2014

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Countywide Bridge and Culvert Fund</u>		
REVENUES					
Property taxes	\$ 9,099,533	1,045,097	2,271,637	2,461,492	14,877,759
Road and bridge privilege taxes		429,297			429,297
Licenses, commissions and other revenue	447,974	1,037	1,487	32,115	482,613
Fines and forfeitures	555,906			53,994	609,900
Intergovernmental revenues	904,437	598,193	4,895	1,093,750	2,601,275
Charges for services	190,724			1,411,897	1,602,621
Interest income	9,838			624	10,462
Miscellaneous revenues	114,875	14,356		1,199,771	1,329,002
Total Revenues	<u>11,323,287</u>	<u>2,087,980</u>	<u>2,278,019</u>	<u>6,253,643</u>	<u>21,942,929</u>
EXPENDITURES					
Current:					
General government	4,908,622			650,649	5,559,271
Public safety	3,930,619			1,177,054	5,107,673
Public works	93,281	1,601,505	1,879,889	1,213,522	4,788,197
Health and welfare	453,518			1,233,034	1,686,552
Culture and recreation	400,935			25,000	425,935
Education	39,547				39,547
Conservation of natural resources	118,178				118,178
Economic development and assistance	169,733			10,500	180,233
Debt service:					
Principal	213,083		146,574	790,072	1,149,729
Interest	19,575		6,669	983,586	1,009,830
Total Expenditures	<u>10,347,091</u>	<u>1,601,505</u>	<u>2,033,132</u>	<u>6,083,417</u>	<u>20,065,145</u>
Excess of Revenues over (under) Expenditures	<u>976,196</u>	<u>486,475</u>	<u>244,887</u>	<u>170,226</u>	<u>1,877,784</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		45,900			45,900
Proceeds from sale of capital assets		20,738		4,100	24,838
Compensation for loss of capital assets	17,300				17,300
Transfers in				15,000	15,000
Transfers out	(15,000)				(15,000)
Total Other Financing Sources and Uses	<u>2,300</u>	<u>66,638</u>	<u>0</u>	<u>19,100</u>	<u>88,038</u>
Net Changes in Fund Balances	<u>978,496</u>	<u>553,113</u>	<u>244,887</u>	<u>189,326</u>	<u>1,965,822</u>
Fund Balances - Beginning of year	<u>5,757,624</u>	<u>(90,925)</u>	<u>557,014</u>	<u>5,421,687</u>	<u>11,645,400</u>
Fund Balances - End of year	<u>6,736,120</u>	<u>462,188</u>	<u>801,901</u>	<u>5,611,013</u>	<u>13,611,222</u>

The notes to the financial statements are an integral part of this statement.

## OKTIBBEHA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,965,822
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,067,288 exceeded depreciation of \$1,384,416 in the current period.	682,872
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$2,940 and the proceeds from the sale of capital assets of \$ 24,838 and compensation for loss of capital assets of \$17,300.	(39,198)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	183,735
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(36,339)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$1,149,729 exceeded debt proceeds of \$45,900.	1,103,829
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Increase in compensated absences	(21,481)
Decrease in accrued interest payable	5,596
Amortization of premium on bond	3,631
	<u>3,631</u>
Change in Net Position of Governmental Activities	\$ <u>3,848,467</u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2014

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 229,957
Due from other funds	13,329
Total Assets	\$ <u>243,286</u>
LIABILITIES	
Other liabilities	\$ 107,530
Intergovernmental payables	135,756
Total Liabilities	\$ <u>243,286</u>

The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY

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## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Oktibbeha County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Oktibbeha County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Oktibbeha County Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Countywide Bridge & Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

#### E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

#### F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

#### H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### I. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenue – accounts receivable – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

### J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### K. Equity Classifications.

##### Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

##### Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

##### Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

##### Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### N. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

#### O. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

### (2) Accounting Change.

GASB Statement 65 requires debt issuance costs, except any portion related to prepaid insurance costs, be recognized as an expense in the period incurred. Prior to GASB Statement 65, debt issuance costs were amortized over the life of the bond.

The County had the following significant fund equity adjustment due to an accounting change:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To remove unamortized balance of debt issuance costs	\$ (622,783)

### (3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$15,081,528, and the bank balance was \$15,325,351. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014:

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Countywide Road Maintenance Fund	General Fund	\$ 55,026
Countywide Bridge & Culvert Fund	General Fund	28,676
Other Governmental Funds	General Fund	34,430
Agency Funds	General Fund	13,329
Total		\$ 131,461

The receivables represent the tax revenue collected in September 2014 but not settled until October, 2014. All interfund balances are expected to be repaid within one year from the date of the financial statements.

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>15,000</u>
Total		\$ <u><u>15,000</u></u>

The principal purpose of interfund transfers was to provide funds for operating costs for garbage pickup.  
All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 215,180
Assistance to firefighters grant	91,303
Emergency management performance grant	40,126
Homeland security grant	30,815
Motor vehicle fuel tax	20,332
State and community highway safety grant	12,101
Alcohol open container grant	11,076
City of Starkville - reimbursement for housing prisoners	8,030
State of MS - reimbursement for housing prisoners	7,840
Triad grant	5,000
Motor vehicle licenses	3,865
Other	<u>14,027</u>
Total Governmental Activities	\$ <u><u>459,695</u></u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

**Governmental activities:**

	<u>Balance Oct. 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2014</u>
<b><u>Non-depreciable capital assets:</u></b>					
Land	\$ 1,016,113				1,016,113
Construction in progress	<u>763,651</u>	<u>1,862,389</u>		<u>(565,586)</u>	<u>2,060,454</u>
Total non-depreciable capital assets	<u>1,779,764</u>	<u>1,862,389</u>	<u>0</u>	<u>(565,586)</u>	<u>3,076,567</u>
<b><u>Depreciable capital assets:</u></b>					
Infrastructure	81,464,668	53,369		565,586	82,083,623
Buildings	8,227,827				8,227,827
Mobile equipment	8,084,888	95,775	174,366		8,006,297
Furniture and equipment	1,184,126	9,855			1,193,981
Leased property under capital leases	<u>1,421,552</u>	<u>45,900</u>	<u>26,538</u>		<u>1,440,914</u>
Total depreciable capital assets	<u>100,383,061</u>	<u>204,899</u>	<u>200,904</u>	<u>565,586</u>	<u>100,952,642</u>

OKTIBBEHA COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Less accumulated depreciation for:</u>					
Infrastructure	47,065,858	644,668			47,710,526
Buildings	2,650,719	142,472			2,793,191
Mobile equipment	5,977,575	319,693	156,929		6,140,339
Furniture and equipment	1,023,319	40,241			1,063,560
Leased property under capital leases	354,981	237,342	4,777		587,546
Total accumulated depreciation	57,072,452	1,384,416	161,706	0	58,295,162
Total depreciable capital assets, net	43,310,609	(1,179,517)	39,198	565,586	42,657,480
Governmental activities capital assets, net	\$ 45,090,373	682,872	39,198	0	45,734,047

\*Adjustments were made to transfer construction in progress of roads and bridges completed during the year to infrastructure.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 115,052
Public safety	233,055
Public works	996,063
Education	40,246
Total governmental activities depreciation expense	\$ 1,384,416

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
County Road – AW Williams Road	\$ 330,000	September 2015
County Road – Blackjack Road	175,000	September 2015
County Road – Brown Road	300,000	September 2015
County Road – Harrell Road	150,000	September 2015
County Road – Reform Road	75,000	September 2015
County Road – Pat Station Road	840,000	September 2017
State Aid Road – Artesia Road	4,100	September 2015
State Aid Road – Crawford Road Bridge	8,500	September 2015
State Aid Road – Dotson Road Bridge	1,750	September 2015
State Aid Road – Longview Road	1,298,000	Unknown

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

### (6) Claims and Judgments.

#### Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. The County has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$50,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 241,309	310,505
Plus: Incurred Claims (Including IBNRs)	2,657,850	2,392,967
Less: Claims Payments	<u>2,588,654</u>	<u>2,426,033</u>
Unpaid Claims, End of Fiscal Year	\$ <u>310,505</u>	<u>277,439</u>

### (7) Capital Leases.

#### As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,318,565
Furniture and equipment	<u>122,349</u>
Total	1,440,914
Less: Accumulated depreciation	<u>587,546</u>
Leased Property Under Capital Leases	\$ <u>853,368</u>

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

The following is a schedule by years of the total payments due as of September 30, 2014:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 226,197	6,203
2016	209,683	4,417
2017	100,792	793
Total	\$ 536,672	11,413

### (8) Other Postemployment Benefits.

#### Plan Description

The Oktibbeha County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Oktibbeha County Board of Supervisors. The County is self-insured through the Mississippi Public Employee Benefit Trust with reinsurance purchased from a commercial insurance company that is effective for claims in excess of \$50,000 and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan.

#### Funding Policy

Employees' premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the County's health insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2014, retiree premiums range from \$320.10 to \$887.74 depending on dependent coverage and Medicare eligibility.

#### Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2013. The plan presently has an actuarial valuation performed biennially in order to be in compliance with GASB Statement 45.

#### Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

The following table presents the OPEB cost, the amount contributed and changes in the OPEB plan for fiscal years 2013 and 2014:

Annual required contribution	\$	104,503
Adjustment to annual required contribution		
Annual OPEB cost		104,503
Contributions made		36,794
Increase in net OPEB obligation		67,709
Net OPEB obligation – October 1, 2012		0
Net OPEB obligation – September 30, 2014	\$	67,709

The following table provides the County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2013 and 2014:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$104,503	35.2%	\$67,709

### Funding Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date:

Actuarial Valuation Date		July 1, 2012
Actuarial Value of Plan Assets	\$	0
Actuarial Accrued Liability (AAL) Projected Unit Credit Cost Method	\$	922,387
Unfunded AAL (UAAL)	\$	922,387
Funded Ratio		0%
Annual Covered Payroll	\$	*N/A
UAAL as a Percentage of Annual Covered Payroll		*N/A

\*Actuarial Accrued Liability is determined under the projected unit credit cost method which benefits are not tied to payroll amounts.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

Actuarial valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Actuarial Cost Method
Remaining amortization period	Level Dollar, Closed
Asset valuation method	30 Years
Actuarial assumptions:	N/A
Investment rate of return*	4.00%
Projected salary increases**	N/A
Healthcare cost trend rate*	6.30%
Ultimate trend rate	4.50%
Year of ultimate trend rate	2088
*Includes inflation at	2.50%
**Includes wage inflation at	N/A

### (9) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
2009 Oktibbeha County Hospital	\$ 19,575,000	* 3.00-4.125%	11/01/2034
2010 Oktibbeha County Hospital	6,025,000	** 2.00-4.125%	09/01/2035
2011 Refunding bonds road & bridge construction	860,000	2.00-3.25%	03/01/2021
Total General Obligation Bonds	\$ 26,460,000		
B. Capital Leases:			
AS400 administrative, circuit, justice court	\$ 10,383	3.34%	04/15/2015
AS400 tax office	7,727	3.34%	03/15/2015
(15) Dodge chargers	187,594	1.81%	02/05/2016
(8) 2014 Western Star trucks	285,068	1.55%	07/02/2017
(2) 2006 International 4300 dump trucks	45,900	2.24%	09/03/2017
Total Capital Leases	\$ 536,672		
C. Other Loans:			
Service Zone cap loan	\$ 60,000	5.66%	04/01/2016
Service Zone cap loan	64,711	5.66%	05/01/2016
2013 FTL/asphalt distribution truck	53,974	1.75%	10/03/2015
Total Other Loans	\$ 178,685		

\*These bonds are secured by the full faith and credit and taxing power of the County as well as additional net revenues from the Oktibbeha County Hospital. However, any assets acquired or improvements made with the proceeds of these bonds are not included in Oktibbeha County's financial statements. Oktibbeha County Hospital contributed \$1,182,864 to the County during fiscal year 2014 towards reducing this outstanding debt.

\*\* These bonds are secured by the full faith and credit and taxing power of the County. However, any assets acquired or improvements made with the proceeds of these bonds are not included in Oktibbeha County's financial statements.

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2015	\$ 810,000	953,394	142,553	6,302
2016	865,000	927,645	36,132	1,227
2017	905,000	897,419		
2018	940,000	866,276		
2019	985,000	833,133		
2020 – 2024	5,250,000	3,640,949		
2025 – 2029	6,445,000	2,693,555		
2030 – 2034	8,325,000	1,312,869		
2035 – 2039	1,935,000	48,984		
Total	\$ 26,460,000	12,174,224	178,685	7,529

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 7.54% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 414,433	21,481		435,914	
General obligation bonds	27,235,000		775,000	26,460,000	810,000
Add:					
Premiums	56,684		3,631	53,053	3,631
Capital leases	728,916	45,900	238,144	536,672	226,197
Other loans	315,270		136,585	178,685	142,553
Total	\$ 28,750,303	67,381	1,153,360	27,664,324	1,182,381

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund, Countywide Bridge Fund and 911 Emergency Fund.

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

### (10) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2014:

Fund	Deficit Amount
FEMA Safer Grant Fund	\$ 15,313

### (11) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

General Obligation Bonds Series 2010 - On September 30, 2010, the County issued \$6,500,000 in General Obligation Bonds to fund construction projects for the renovation of Oktibbeha County Hospital. The County has approximately \$1,262,186 of bond proceeds in the Oktibbeha County Hospital Construction Fund at September 30, 2014. The County will use the remaining bond proceeds to repay the debt.

Hospital Revenue Bond Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the Oktibbeha County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the County has pledged the avails of a five mill levy in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2014, is \$11,350,000.

### (12) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2014
Hospital revenue bonds	\$ 4,030,000

### (13) Related Organizations.

The Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Oktibbeha County Economic Development Authority, but the County's accountability for this organization does not extend beyond making the appointments. During the year, the County did not contribute any funds to this organization.

## OKTIBBEHA COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2014

#### (14) Joint Ventures.

The County participates in the following joint ventures:

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Oktibbeha County Library. The joint venture is governed by ten members, five appointed by each government. By contractual agreement, the County's appropriation to the joint venture was \$170,400 in the fiscal year 2014. Complete financial statements for the Oktibbeha County Library can be obtained for 326 University Drive, Starkville, MS 39759.

Oktibbeha County is a participant with the City of Starkville in a joint venture, authorized by Section 61-5-39, Miss. Code Ann. (1972), to operate the George M. Bryan Field (airport). The joint venture is governed by seven members, three appointed by each government and one appointed by Mississippi State University. The County's appropriation to the joint venture was \$32,000 in the fiscal year 2014.

Oktibbeha County is a participant with the Counties of Choctaw, Clay, Lowndes, Noxubee and Webster, and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville, and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created to provide a regional disposal site for solid waste. The Oktibbeha County Board of Supervisors appoints one of the 38 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from P.O. Drawer DN, Mississippi State, MS 39762.

#### (15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

East Mississippi Community College operates in a district composed of the Counties of Clay, Kemper, Lauderdale, Lowndes, Noxubee, and Oktibbeha. The Oktibbeha County Board of Supervisors appoints two of the 12 members of the college board of trustees. The County appropriated \$652,259 for maintenance and support of the college in fiscal year 2014.

Golden Triangle Planning Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints four of the 28 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$50,000 for support of the district in fiscal year 2014.

Golden Triangle Regional Airport Authority operates in a district composed of Counties of Lowndes and Oktibbeha and the Cities of Columbus, Starkville, and West Point. The Oktibbeha County Board of Supervisors appoints one of the five members of the board of commissioners. The County provided no financial support for the authority in fiscal year 2014.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$45,500 for support of the agency in fiscal year 2014.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. These 14 members are not appointed by the County Board of Supervisors. The counties generally provide no financial support to the organization.

# OKTIBBEHA COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2014

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster, and Winston. The Oktibbeha County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

### (16) Defined Benefit Pension Plan.

Plan Description. Oktibbeha County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$936,085, \$849,074 and \$723,416, respectively, equal to the required contributions for each year.

### (17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Oktibbeha County evaluated the activity of the County through May 16, 2016, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, the County issued the following debt obligation:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
10/14/2014	1.95%	\$	140,000	Capital lease	Ad valorem tax

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY  
Budgetary Comparison Schedule -  
Budget and Actual (Non-GAAP Basis)  
General Fund  
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 8,988,548	9,069,487	9,069,487	
Licenses, commissions and other revenue	401,900	438,991	438,991	
Fines and forfeitures	510,600	558,647	558,647	
Intergovernmental revenues	1,017,350	944,116	944,116	
Charges for services	200,000	203,404	203,404	
Interest income	15,000	9,559	9,559	
Miscellaneous revenues	81,300	84,580	84,580	
Total Revenues	<u>11,214,698</u>	<u>11,308,784</u>	<u>11,308,784</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	6,203,711	5,073,527	5,073,527	
Public safety	4,065,505	3,943,938	3,943,938	
Public works	142,000	100,845	100,845	
Health and welfare	467,507	449,994	449,994	
Culture and recreation	170,400	170,400	170,400	
Education	358,935	360,477	360,477	
Conservation of natural resources	130,490	121,420	121,420	
Economic development and assistance	166,938	166,733	166,733	
Debt service:				
Principal	202,338	213,092	213,092	
Interest	16,932	19,567	19,567	
Total Expenditures	<u>11,924,756</u>	<u>10,619,993</u>	<u>10,619,993</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(710,058)</u>	<u>688,791</u>	<u>688,791</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	122,800	100,000	100,000	
Transfers out	(115,000)	(115,000)	(115,000)	
Other financing sources		30,098	30,098	
Other financing uses	(1,237,380)			
Total Other Financing Sources and Uses	<u>(1,229,580)</u>	<u>15,098</u>	<u>15,098</u>	<u>0</u>
Net Change in Fund Balance	(1,939,638)	703,889	703,889	0
Fund Balances - Beginning	<u>1,939,638</u>	<u>6,351,778</u>	<u>6,351,778</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>7,055,667</u>	<u>7,055,667</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

OKTIBBEHA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,521,531	1,581,177	1,581,177	
Licenses, commissions and other revenue	416,000	427,570	427,570	
Intergovernmental revenues	586,000	606,531	606,531	
Miscellaneous revenues	10,000	28,231	28,231	
Total Revenues	<u>2,533,531</u>	<u>2,643,509</u>	<u>2,643,509</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>3,174,480</u>	<u>2,720,291</u>	<u>2,720,291</u>	
Total Expenditures	<u>3,174,480</u>	<u>2,720,291</u>	<u>2,720,291</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(640,949)</u>	<u>(76,782)</u>	<u>(76,782)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		20,737	20,737	
Total Other Financing Sources and Uses	<u>0</u>	<u>20,737</u>	<u>20,737</u>	<u>0</u>
Net Change in Fund Balance	(640,949)	(56,045)	(56,045)	0
Fund Balances - Beginning	<u>640,949</u>	<u>635,378</u>	<u>635,378</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>579,333</u>	<u>579,333</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

OKTIBBEHA COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge and Culvert Fund  
 For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,182,398	2,263,838	2,263,838	
Licenses, commissions and other revenue	1,000	1,487	1,487	
Intergovernmental revenues	4,000	4,896	4,896	
Total Revenues	<u>2,187,398</u>	<u>2,270,221</u>	<u>2,270,221</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,405,780	1,948,660	1,948,660	
Debt service:				
Principal	146,750	146,574	146,574	
Interest	6,500	6,669	6,669	
Total Expenditures	<u>2,559,030</u>	<u>2,101,903</u>	<u>2,101,903</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(371,632)</u>	<u>168,318</u>	<u>168,318</u>	<u>0</u>
Net Change in Fund Balance	(371,632)	168,318	168,318	0
Fund Balances - Beginning	<u>371,632</u>	<u>723,551</u>	<u>723,551</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>891,869</u>	<u>891,869</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

OKTIBBEHA COUNTY  
Schedule of Funding Progress – Other Postemployment Benefits  
September 30, 2014

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Discount Rate	Actuarial Accrued Liability (AAL) Projected Unit Credit Cost Method (b)	Unfunded AAL (b-a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered payroll ((b-a) / c)
July 1, 2012	\$ 0	4.00%	\$ 922,387	\$ 922,387	0.00%	\$ *N/A	*N/A

\*Actuarial Accrued Liability is determined under the projected unit credit cost method in which benefits are not tied to payroll amounts.

# OKTIBBEHA COUNTY

## Notes to the Required Supplementary Information For the Year Ended September 30, 2014

### UNAUDITED

#### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

#### B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

#### C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Countywide Maintenance</u>	<u>Countywide and Culvert</u>
Budget (Cash Basis)	\$ 703,889	(56,045)	168,318
Increase (Decrease)			
Net adjustments for revenue accruals	(98,295)	(509,628)	7,798
Net adjustments for expenditure accruals	<u>372,902</u>	<u>1,118,786</u>	<u>68,771</u>
GAAP Basis	<u>\$ 978,496</u>	<u>553,113</u>	<u>244,887</u>

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SUPPLEMENTAL INFORMATION

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2014

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through the State of Mississippi Treasury Department Schools and road - grants to states	10.665	N/A	\$ 476
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Home investment partnerships program	14.239	1219-M07-SG-280-920-12	3,300
Home investment partnerships program	14.239	1224-M12-SG-280-920	7,200
Subtotal			10,500
Economic development initiative - special project (Direct Award)*	14.251	B-09-SP-MS-0354	255,997
Total U.S. Department of Housing and Urban Development			266,497
U.S. Department of Justice/Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	2012-DJ-BX-0444	3,162
U.S. Department of Transportation/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 079 B(53)	34,330
Highway planning and construction	20.205	STPD 0735 4B (PE-1)	25,200
Subtotal			59,530
Passed-through the Mississippi Department of Public Safety States and community highway safety	20.600	14OP-153-1	13,447
Alcohol open container requirements	20.607	14ST-153-1	21,615
Total U.S. Department of Transportation			94,592
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency management performance grant	97.042	14EMPG	40,126
Emergency management performance grant	97.042	12EMPL00	5,867
Subtotal			45,993
Assistance to firefighters grant (Direct Award)*	97.044	EMW-2011-FF-00728	244,473
Passed-through the Mississippi Department of Public Safety Homeland security grant program	97.067	11LE053T	8,580
Homeland security grant program	97.067	11LE053	22,235
Subtotal			30,815
Total U.S. Department of Homeland Security			321,281
Total Expenditures of Federal Awards			\$ 686,008

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

\* Denotes major federal award program

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

OTHER INFORMATION

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2014  
UNAUDITED

Name	Position	Company	Bond
John P. Montgomery	Supervisor District 1	Traveler's Casualty and Surety Company of America	\$100,000
Orlando Trainer	Supervisor District 2	Traveler's Casualty and Surety Company of America	\$100,000
Marvel Howard	Supervisor District 3	Traveler's Casualty and Surety Company of America	\$100,000
Daniel Jackson	Supervisor District 4	Traveler's Casualty and Surety Company of America	\$100,000
Joe Louis Williams	Supervisor District 5	Traveler's Casualty and Surety Company of America	\$100,000
Don Posey	County Administrator	Western Surety	\$100,000
Emily Garrard	County Administrator	Western Surety	\$100,000
Delois Tripplet	Assistant Comptroller	Western Surety	\$50,000
Monica Banks	Chancery Clerk	Traveler's Casualty and Surety Company of America	\$100,000
Deanna Dantzler	Purchase Clerk	Western Surety	\$75,000
Deanna Allen	Purchase Clerk	Western Surety	\$75,000
Emily Garrard	Assistant Purchase Clerk	Western Surety	\$50,000
Tom Malone	Receiving Clerk	Western Surety	\$75,000
Tommy Smith	Assistant Receiving Clerk	Western Surety	\$50,000
Michelle Tutton	Inventory Control Clerk	Western Surety	\$75,000
Victor Kent Collins	Road Manager	Western Surety	\$50,000
James Lindsey	Constable	Traveler's Casualty and Surety Company of America	\$50,000
Curtis Randle	Constable	Traveler's Casualty and Surety Company of America	\$50,000
Shank Phelps	Constable	Traveler's Casualty and Surety Company of America	\$50,000
Michael Hunt	Coroner	Traveler's Casualty and Surety Company of America	\$50,000
Edwin Glenn Hamilton	Circuit Clerk	Traveler's Casualty and Surety Company of America	\$100,000
Sheryl Elmore	Deputy Circuit Clerk	Western Surety	\$50,000
Pansy Robinson	Deputy Circuit Clerk	Western Surety	\$50,000
Melody Monts	Deputy Circuit Clerk	Western Surety	\$50,000
Stephen C. Gladney	Sheriff	Traveler's Casualty and Surety Company of America	\$100,000
Tony Boykin	Justice Court Judge	Traveler's Casualty and Surety Company of America	\$50,000
Bernard Crump	Justice Court Judge	Traveler's Casualty and Surety Company of America	\$50,000
James Mills	Justice Court Judge	Traveler's Casualty and Surety Company of America	\$50,000
Nora Goliday	Justice Court Clerk	Western Surety	\$50,000
Georgia Alexander	Deputy Justice Court Clerk	Western Surety	\$50,000
Bonnie Devereaux	Deputy Justice Court Clerk	Western Surety	\$50,000
Gail Roberts	Deputy Justice Court Clerk	Western Surety	\$50,000
Gay Lynn Hampton	Deputy Justice Court Clerk	Western Surety	\$50,000
Tawanda Ware	Deputy Justice Court Clerk	Western Surety	\$50,000
Tina Mullins	Deputy Justice Court Clerk	Western Surety	\$50,000
Allen Gordon Morgan	Tax Collector-Assessor	Traveler's Casualty and Surety Company of America	\$100,000
Barbara Cubon	Deputy Tax Assessor	Western Surety	\$50,000

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SPECIAL REPORTS

OKTIBBEHA COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Oktibbeha County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oktibbeha County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 16, 2016. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Oktibbeha County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-001 and 2014-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-003, 2014-004 and 2014-005 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Oktibbeha County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002.

We also noted certain matters which we have reported to the management of Oktibbeha County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 16, 2016, included within this document.

### **Oktibbeha County's Responses to Findings**

Oktibbeha County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Oktibbeha County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 16, 2016



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Members of the Board of Supervisors  
Oktibbeha County, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited Oktibbeha County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. Oktibbeha County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Oktibbeha County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oktibbeha County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Oktibbeha County, Mississippi's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Oktibbeha County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

## Report on Internal Control Over Compliance

Management of Oktibbeha County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oktibbeha County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 16, 2016



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Oktibbeha County, Mississippi

We have examined Oktibbeha County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Oktibbeha County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Oktibbeha County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed an instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Inventory Control Clerk should file inventory report by October 15.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each year. As reported in the prior four years' audit reports, the inventory reports were not filed with the Office of the State Auditor by October 15th as required. The inventory reports were filed with the

Board of Supervisors on December 14, 2014. By not filing the annual reports with the proper persons, the County is not in compliance with applicable statutes.

Recommendation

The Inventory Control Clerk should file the inventory reports with the Board of Supervisors and copies should be forwarded to the Office of the State Auditor by October 15th of each year, as required by law.

Inventory Control Clerk's Response

The information needed for capital infrastructure is not available until after the close of the fiscal year. Therefore, we are not able to compile and complete the report by the Oct. 15th deadline as required by law.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Oktibbeha County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Oktibbeha County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Oktibbeha County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 16, 2016

OKTIBBEHA COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2014

Our test results did not identify any purchases from other than the lowest bidder.

OKTIBBEHA COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2014

Schedule 2

Our test results did not identify any emergency purchases.

OKTIBBEHA COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2014

Our test results did not identify any purchases made noncompetitively from a sole source.

OKTIBBEHA COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Oktibbeha County, Mississippi

In planning and performing our audit of the financial statements of Oktibbeha County, Mississippi for the year ended September 30, 2014, we considered Oktibbeha County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Oktibbeha County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 16, 2016, on the financial statements of Oktibbeha County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors and Tax Assessor/Collector.

1. The County should perform periodic physical and logical access reviews.

Finding

We noted during our review, that the Board of Supervisors and the Tax Assessor/Collector do not have both formal policies and procedures that cover granting or removing logical access for terminated employees. We also noted that the Board of Supervisors and the Tax Assessor/Collector do not periodically review the levels of access that active users have been granted and determine if the access is appropriate.

These reviews should include both physical and logical access. Physical access would be inclusive of buildings, rooms or cages where physical computer hardware and the supporting infrastructure such as wiring, environmental controls, etc. are housed. In dealing with physical access, reviews should include keys, proximity cards and biometric devices. An accurate inventory of such items issued for access should be kept and include the job title of persons with such access to facilitate review for appropriateness by management and auditors.

Also, security of systems that control access such as personal computers that control proximity card access should also be under tight security controls.

Logical access usually refers to access to data and associated computer environments such as application software and operating systems. Areas that should be kept in mind in determining proper logical access are technical issues such as alternate indexes and back doors such as function keys and ability to travel directly from one menu to another. As with physical access user IDs such as those used for network, application, or database security administration should be highly restricted and protected.

#### Recommendation

We recommend that the County implement periodic reviews of access for all individual users. These reviews should include both physical and logical access. Documentation of such reviews should be retained for reference and audit purposes for a reasonable period. Such retention should be according to guidelines such as policies of the Board of Supervisors and the Tax Assessor/Collector and regulations such as Internal Revenue Service guidelines. The County should seek legal counsel in determining retention periods.

In determining the appropriateness of both physical and logical access the reviewer should remain cognizant of job responsibilities, prior job responsibilities which persons may have held that are no longer pertinent, level of expertise of the user, segregation of duties, and regulatory guidelines which may be applicable. Both logical and physical access should be covered by formal written policy for granting, terminating and changing access. These policies should be approved by management and distributed to employees through procedures that have those granted access to information assets indicate in writing or electronically that they have read and understand the policies and agree to follow them.

#### Board of Supervisors' Response

Oktibbeha County will ensure terminated individuals are removed from access to electronic data.

#### Tax Assessor/Collector's Response

Access to any PC in the Tax Collector's Office is granted by the Tax Collector only through an authorized form granting a certain level of clearance that is needed for the particular job being performed by an employee. This form is signed by the Tax Collector and is faxed or emailed to Delta Computer Service. This same process is done when an employee is no longer employed by this office. These forms are kept under lock and key in the Tax Collector's Office. This process has been followed the four plus years I have been in office.

Each employee has their own workstation and or office with their PC. Each PC has a user ID protection along with a password that must be reset every thirty days. Each employee has their own key to the office.

The swinging door in the Tax Collector's Office was replaced a year or so ago with a full wood locking door for security purposes. This ceased the flow of traffic that had no need to coming in behind the counter without authorization.

## 2. The County should test its disaster recovery plan.

During our review of the information systems controls of the County, we noted that the Board of Supervisors and the Tax Assessor/Collector have not tested their disaster recovery plans. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

#### Recommendation

We recommend that the County test the Disaster Recovery Plan to insure that critical data and applications are recoverable in case of a disaster scenario.

#### Board of Supervisors' Response

The County will test its disaster recovery plan.

#### Tax Assessor/Collector's Response

At the present time a backup tape is installed in the AS400 every workday to capture the work that was done. These tapes are stored in our vault. Also we have a tape that is stored in our bank vault off location. I have spoken with Delta about our nightly backup tapes and they said as long as we were receiving the green bar printout each day with no error report all should be fine. I plan to get with Delta soon in order to test our backup tapes to make sure we are capturing our data.

It is my understanding that the County has contracted with Three Rivers Planning and Development for them to move our AS400 to Tupelo any day now. Once this is done, they will be responsible for all backup on the AS400.

I have asked Golden Triangle Planning and Development District to put pin drives on our PC's that have our documents stored, such as word, excel, etc. in case of a PC crash. This will back up every night and the cost will be minimal.

### 3. The County should implement a formal Information Security Policy.

#### Finding

The Board of Supervisors and the Tax Assessor/Collector have not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

#### Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity I Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the County's Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

#### Board of Supervisors' Response

Oktibbeha County is in the process of developing a formal information policy.

#### Tax Assessor/Collector's Response

I will look into the development of an information security plan.

Chancery Clerk.

4. Chancery Clerk should settle excess fees to the county.

#### Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15<sup>th</sup> for the preceding calendar year. As reported in the prior two years' audit reports, the Chancery Clerk did not pay the fees received in excess of \$90,000 for the 2012 calendar year to the County's General Fund by April 15, 2013, as required by law. The excess fees for the 2012 calendar year were \$35,541. In December 2014, the Chancery Clerk remitted \$10,000 to the County. However, the Chancery Clerk has not remitted the balance of \$25,541 to the County as of May 16, 2016. Failure to settle the excess fees results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds and lost interest on these excess funds.

#### Recommendation

The Chancery Clerk should remit the remaining \$25,541 to the General Fund immediately. In the future, the Chancery Clerk should settle fees received in excess of \$90,000 by April 15<sup>th</sup> for the preceding year.

#### Chancery Clerk's Response

The Chancery Clerk settled to the County \$10,000 on December 2014 against disallowed expenses.

#### Auditor's Note

As of May 16, 2016, the Chancery Clerk has not remitted the remaining 2012 excess fees of \$25,541 the County. This matter has been referred to the Investigative Division of the Office of the State Auditor for collection.

5. Chancery Clerk should settle excess fees to the county.

#### Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15<sup>th</sup> for the preceding calendar year. The Chancery Clerk did not pay the fees received in excess of \$90,000 for the 2014 calendar year to the County's General Fund by April 15, 2015, as required by law. The excess fees for the 2014 calendar year were \$10,862. The Chancery Clerk has not remitted these fees to the County as of May 16, 2016. Failure to settle the excess fees results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds.

#### Recommendation

The Chancery Clerk should remit the \$10,862 to the General Fund immediately. In the future, the Chancery Clerk should settle fees received in excess of \$90,000 by April 15<sup>th</sup> for the preceding year.

#### Chancery Clerk's Response

I will settle to County.

6. The Chancery Clerk deducted unallowable expenses on the annual financial report.

#### Finding

Section 9-1-43(1) Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. The Chancery Clerk claimed \$9,421 in expenses in 2014 for which there was insufficient documentation or was not an allowable business expense. The Chancery Clerk also owes additional amounts of \$1,147 from 2013, \$9,237 from 2012 and \$12,937 from 2011. Failure to deduct only valid business expenses and to settle excess fees by the required date, results in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds.

#### Recommendation

The Chancery Clerk should settle the additional amount of \$9,421 in excess fees for the 2014 calendar year to the General Fund. The Chancery Clerk should also settle the additional amounts for undocumented and unallowable expenses of \$1,147, \$9,237 and \$12,937 from 2013, 2012 and 2011, respectively.

#### Chancery Clerk's Response

I will settle to County.

7. The Chancery Clerk should properly report revenue.

Section 9-1-43, Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. We noted revenues of \$5,073, which are subject to the cap, were not reported on the 2014 annual fee report. Failure to report all income could result in the loss of public funds. These errors could result in a loan to the Chancery Clerk that is not authorized by law and the loss of public funds.

#### Recommendation

The Chancery Clerk should settle the additional amount of \$5,073 in excess fees for the 2014 calendar year to the General Fund. The Chancery Clerk should also maintain an accurate and complete fee journal. The Chancery Clerk should file an amended report for 2014 with the Office of the State Auditor and the Public Employee's Retirement System.

#### Chancery Clerk's Response

All excess fees (\$5,073) have been reported for the 2014 calendar year and filed in the fee journal.

#### Auditor's Note

As of May 16, 2016, the Chancery Clerk has not remitted the additional excess fees of \$5,073 to the County. This matter has been referred to the Investigative Division of the Office of the State Auditor for collection.

8. The Chancery Clerk should keep and preserve a complete and correct record of all proceedings of the Board of Supervisors.

Finding

Section 19-3-27, Miss Code Ann (1972), requires the clerk of the Board of Supervisors to keep and preserve a complete and correct record of all board proceedings. As reported in the prior year audit report, board minutes were not available for all board proceedings. As of March 30, 2016 the board minutes for meetings after November 16, 2015 are not recorded in the minute book. The resolution adopted by the Board of Supervisors on November 4, 2013 to issue refunding bonds and the disaster recovery plan adopted for the County on December 2, 2013 are not recorded in the board minutes or “attached” as stated in the board orders. Failure to record the minutes could result in unlawful acts as there is not record as to what the board ordered.

Recommendation

The Chancery Clerk should keep a complete and correct record of all board proceedings.

Chancery Clerk’s Response

The disaster recovery plan will be included in the minutes as well as a complete and correct record of all board proceedings.

9. Authority for tax levies should be included in the board minutes.

Finding

Section 27-39-317, Miss. Code Ann. (1972), requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The tax levy for fiscal year 2013-2014 was not included in the board minutes. Failure to properly prepare the tax levy and include the purpose, code section and millage rate when approving the tax levy could result in unlawful taxes being collected.

Recommendation

The Chancery Clerk, as Clerk of the Board, should properly prepare the annual tax levy and include the levy in the board minutes as approved by the Board of Supervisors.

Chancery Clerk’s Response

Tax levy will be included in the minutes.

10. County signed warrants without sufficient money.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on a fund which did not have sufficient money to pay the warrants. As of September 30, 2014, the FEMA Safer Grant Fund has a deficit cash balance of \$38,874.

Recommendation

The Chancery Clerk should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Chancery Clerk’s Response

I will do the best of my ability comply with the auditor’s recommendation.

Circuit Clerk.

11. The Circuit Clerk should file the annual financial report timely.

Finding

Section 9-1-45(1), Miss. Code Ann. (1972), requires each Circuit Clerk to file a true and accurate annual report not later than April 15 for the preceding year. The report for calendar year 2014 was filed on May 20, 2015. Failure to file the annual fee report timely is a violation of state law and could result in the loss of public funds.

Recommendation

The Circuit Clerk should file the annual fee report for the preceding year no later than April 15.

Circuit Clerk's Response

I will comply.

12. Circuit Clerk should settle excess fees to the County by April 15.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year. As reported in the prior year's audit report, the Circuit Clerk did not pay the fees received in excess of \$90,000 to the County's General Fund by April 15<sup>th</sup> as required by law. The excess fees for the 2014 calendar year totaled \$18,760. Failure to settle the excess fees by the required date results in a loan to the Circuit Clerk that is not authorized by law and the loss of public funds due to lost interest on these excess funds.

Recommendation

In the future, the Circuit Clerk should settle fees received in excess of \$90,000 by April 15th for the preceding year.

Circuit Clerk's Response

This appears to be in duplication.

Auditor's Note

The Circuit Clerk remitted the 2014 excess fees of \$18,760 to the General Fund on May 18, 2015 as evidenced by the County's receipt #25090.

13. The Circuit Clerk deducted unallowable and undocumented expenses on the annual financial report.

Finding

Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15<sup>th</sup> for the preceding calendar year. As reported in the prior two years' audit reports, the Circuit Clerk claimed expenses for which there was insufficient documentation or was not an allowable business expense. The amount of these expenses for 2014 totaled \$2,741. After the disallowance of these expenses, the Circuit Clerk's total excess fees were \$21,501. Failure to settle these additional excess fees could result in the loss of public funds.

### Recommendation

The Circuit Clerk's annual financial report should be revised to reflect corrections to the line items that were incorrect, and the additional \$2,741 due to the County for unallowable and undocumented expenses should be paid to the General Fund.

### Circuit Clerk's Response

Regarding the unallowable and undocumented expense the allowable expenses change from year to year. The same expense may be allowable one year and disallowed the next. As of this date there are no moneys owed by me to the County.

### Auditor's Note

The Circuit Clerk remitted the 2014 excess fees of \$2,741 for disallowed expenses to the County on February 29, 2016 as evidenced by receive warrant #26075.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exceptions and dispositions are as follows:

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding # 4 described in this report.

Amount of Exception:

\$25,541

Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for collection.

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding # 5 described in this report.

Amount of Exception:

\$10,862

Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for collection.

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding # 6 described in this report.

Amount of Exception:

\$32,742

Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for collection.

Exception Issued On:

Monica Banks, Chancery Clerk

Nature of Exception:

See Chancery Clerk Finding # 7 described in this report.

Amount of Exception:

\$5,073

Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor for collection.

Oktibbeha County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

May 16, 2016

OKTIBBEHA COUNTY

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OKTIBBEHA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKTIBBEHA COUNTY

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# OKTIBBEHA COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

### Section 1: Summary of Auditor's Results

#### ***Financial Statements:***

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: |            |
|    | Governmental activities                                      | Unmodified |
|    | Aggregate discretely presented component unit                | Adverse    |
|    | General Fund   | Unmodified |
|    | Countywide Road Maintenance Fund                             | Unmodified |
|    | Countywide Bridge and Culvert Fund                           | Unmodified |
|    | Aggregate remaining fund information                         | Unmodified |
| 2. | Internal control over financial reporting:                   |            |
|    | a. Material weaknesses identified?                           | Yes        |
|    | b. Significant deficiencies identified?                      | Yes        |
| 3. | Noncompliance material to the financial statements noted?    | Yes        |

#### ***Federal Awards:***

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major federal programs:  |               |
|    | a. Material weakness identified?   | No            |
|    | b. Significant deficiencies identified?  | None reported |
| 5. | Type of auditor's report issued on compliance for major federal programs:  | Unmodified    |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No            |
| 7. | Identification of major federal programs:  |               |
|    | a. CFDA # 14.251, Economic development initiative – special project  |               |
|    | b. CFDA # 97.044, Assistance to firefighters grant   |               |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$300,000     |
| 9. | Auditee qualified as low-risk auditee?   | No            |

## OKTIBBEHA COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

#### Section 2: Financial Statement Findings

Board of Supervisors.

#### Material Weakness

2014-001. Component unit should be included in County's financial statements.

#### Finding

Generally accepted accounting principles require the financial data of the County's component unit to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component unit. As reported in the prior six years' audit reports, the financial statements do not include the financial data for the County's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

#### Recommendation

The Board of Supervisors should provide the audited financial data for its discretely presented component unit for inclusion in the County's financial statements.

#### Board of Supervisors' Response

The Hospital has its own financial statements that are provided to the County and available upon request.

#### Material Weakness

#### Material Non-compliance

2014-002. Controls over compliance with bond covenants should be strengthened.

#### Finding

The County entered into a general obligation bond agreement on September 30, 2010 for the renovation of Oktibbeha County Hospital and the construction of parking facilities in the amount of \$6,500,000. In the bond covenant there is a requirement for a due diligence test and for an expenditure test. The due diligence test states, "The County reasonably expects that the renovation and construction of the Construction Project will proceed with due diligence to completion by September 29, 2013." The expenditure test states, "It is expected that all of the net sale proceeds of the Bonds will be fully expended on the Project prior to September 29, 2013."

As reported in the prior year audit report, \$1,262,186 remained in the Oktibbeha County Hospital Construction Fund and had not been expended for hospital construction projects as of September 30, 2014. Therefore, the County did not materially comply with the requirements of the bond covenant.

#### Recommendation

The County should seek legal guidance from the County's attorney and bond counsel as to the appropriate action the County should take at this time related to the remaining bond proceeds on hand to ensure compliance with the terms of the bond agreement. Internal controls should also be put in place to ensure that compliance with future bond covenants will be made.

## OKTIBBEHA COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

#### Board of Supervisors' Response

Regions Bank officials have directed the County to hold the money in the County's bond fund and utilize the money to make the final payments on the 2010 bond.

Board of Supervisors and Tax Assessor/Collector.

#### Significant Deficiency

2014-003. The County should strengthen passwords.

#### Finding

As reported in the prior year's audit report, we noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for the County's information assets.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

#### Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

#### Board of Supervisors' Response

Passwords have been strengthened and policies developed for password expirations and deletions.

#### Tax Assessor Collector's Response

Passwords must be changed every thirty days. Password requirements have been strengthened in the last few months.

#### Significant Deficiency

2014-004. The County should create a rotation of backups offsite.

#### Finding

The Board of Supervisors and the Tax Assessor/Collector are currently using an automated system to perform daily back-ups of their AS400's. Upon clarification of the backup processes, it was determined that the tapes should be taken offsite, as no other copy of the County's data was being stored at an off-site location. Without proper off-site storage of back-up files and applications, material damage could be realized by the Board of Supervisors and the Tax Assessor/Collector and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

## OKTIBBEHA COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

#### Recommendation

We recommend that the County implement a plan to ensure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g. two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

#### Board of Supervisors' Response

Oktibbeha is developing a project to remove electronic media off-site with a mirrored back-up site at a separate location. One will be in Tupelo and one will be located at Mississippi State University. It should be in full operation by April 30, 2016.

#### Tax Assessor/Collector's Response

We secured a lock box at our local bank over a year ago. We keep a backup tape there. It is my understanding that the County has contracted with Three Rivers Planning and Development to move our AS400 to Tupelo. Once this is done, they will be responsible for the AS400 and all backup. This should be completed in the next few days / weeks. In the meantime, I will be talking with the bank officials about leaving a tape each day the bank in a night deposit bag.

Tax Assessor/Collector.

Significant Deficiency

2014-005. The Tax Assessor/Collector should replace obsolete computer hardware and software.

#### Finding

The Tax Assessor/Collector is running operating systems as well as applications on some of its servers and/or personal computers (PCs) that might not be supported by vendors. Due to the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

#### Recommendation

We recommend that the Tax Assessor/Collector develop a plan to replace the operating systems, applications, and hardware where necessary that is no longer supported by vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware, operating systems and applications in many cases.

#### Tax Assessor/Collector's Response

All of our PC's are now running on Windows 7. The hard drives haven been replaced in the PC's that were outdated. New software has also been installed in the PC's where needed. All of our PC's are operating fine at the present time. I have been assured by Golden Triangle Planning and Development District that all our PC's have been updated and are in good working order even though some of the PC's are old.

#### Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.